

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA

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UNITED STATES OF AMERICA,

Plaintiff,

v.

MATTHEW H. PETERS, BAYVIEW
SPECIALTY SERVICES LLC,
COASTLINE SPECIALTY SERVICES
LLC, STRAND VIEW CORPORATION,
INNOVATIVE SPECIALTY SERVICES
LLC, PARAGON PARTNERS LLC (D/B/A
PARAGON MEDICAL PARTNERS),
CARDEA CONSULTING LLC, PRAXIS
MARKETING SERVICES LLC,
PROFESSIONAL RX PHARMACY LLC,
INLAND MEDICAL CONSULTANTS LLC
(D/B/A ADVANCED THERAPEUTICS),
PORTLAND PROFESSIONAL PHARMACY
LLC, SUNRISE PHARMACY LLC,
PROFESSIONAL 205 PHARMACY LLC
(D/B/A PROFESSIONAL CENTER 205
PHARMACY), SYNERGY MEDICAL
SYSTEMS LLC (D/B/A SYNERGY RX),
SYNERGY RX LLC (D/B/A SYNERGY
RX), PRESTIGE PROFESSIONAL
PHARMACY, JMSP LLC (D/B/A
PROFESSIONAL CENTER 205
PHARMACY), MPKM, LLC (D/B/A
PROFESSIONAL CENTER PHARMACY),
ONE WAY DRUG LLC (D/B/A PARTELL
PHARMACY), PARTELL PHARMACY LLC,
OPTIMUM CARE PHARMACY INC.

No. 2:24-cv-00287 WBS CKD

ORDER RE: MOTION TO SET ASIDE
DEFAULT

(D/B/A MARBELLA PHARMACY),
GLENDALE PHARMACY LLC, and LAKE
FOREST PHARMACY (D/B/A
LAKEFOREST PHARMACY),

Defendants.

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The complaint in this False Claims Act action was filed on January 22, 2024. (Docket No. 1.) The Clerk of Court entered default against defendant Synergy Medical Systems, LLC on September 26, 2024. (Docket No. 63.) On March 21, 2025, defendant moved to set aside the default. (Docket No. 72.)

Federal Rule of Civil Procedure 55(c) provides that a court "may set aside an entry of default for good cause." In determining whether good cause exists, courts "consider three factors: (1) whether the party seeking to set aside the default engaged in culpable conduct that led to the default; (2) whether it had no meritorious defense; or (3) whether reopening the default judgment would prejudice the other party." United States v. Signed Pers. Check No. 730 of Yubran S. Mesle, 615 F.3d 1085, 1091 (9th Cir. 2010) (cleaned up). "[A] finding that any one of these factors is true is sufficient reason for the district court to refuse to set aside the default." Id. "[J]udgment by default is a drastic step appropriate only in extreme circumstances; a case should, whenever possible, be decided on the merits." Id. (internal quotation marks omitted).

Defendant argues primarily that its failure to answer the complaint was not culpable. A defendant's "conduct is culpable if he has received actual or constructive notice of the filing of the action and intentionally failed to answer.'" Id.

1 at 1092 (quoting TCI Group Life Ins. Plan v. Knoebber, 244 F.3d
2 691, 697 (9th Cir. 2001)) (emphasis in original).

3 Defendant argues that Brian Baumgartner, an executive
4 at Synergy Medical Systems, LLC, was "confused" and did not know
5 an answer to the complaint was required. Defendant points to
6 various alleged factual circumstances, including that certain
7 unspecified representations were made to Mr. Baumgartner by the
8 government that led him to believe no responsive pleading was
9 necessary. However, no credible evidence of Mr. Baumgartner's
10 "confusion" is provided; instead, defendant provides a
11 declaration from counsel merely restating defendant's arguments
12 in conclusory fashion. (See Docket No. 72-1.) Counsel
13 apparently did not represent defendant at the time of the alleged
14 events and no declaration from Mr. Baumgartner himself is
15 provided. Accordingly, there is insufficient evidence before the
16 court to support defendant's arguments.


17 In opposition to the motion, the government provides
18 several emails exchanged with the attorney then representing
19 defendant. Defendant does not dispute the accuracy of these
20 emails. In an email dated August 1, 2024, the attorney
21 representing defendant stated that he "can immediately file a
22 response pleading if need be on behalf of . . . Synergy Medical
23 Systems LLC," and requested that the government advise him as to
24 whether a responsive pleading was required in order to "avoid a
25 default judgement application against Synergy Medical Systems
26 LLC." (Docket No. 78-2.) On August 23, 2024, counsel for the
27 government sent a responsive email that stated: "Answers have
28 been filed in U.S. v. Peters for a majority of the parties. We

1 would therefore like to move for default in the near future as to
2 the parties that have not appeared, but are providing you the
3 courtesy notice you requested if you are interested in filing an
4 Answer on behalf of the Synergy parties." (Docket No. 78-3.)
5 The attorney representing defendant responded to that email on
6 August 26, 2024 and stated that he "will make sure a responsive
7 pleading is filed." (Id.)

8 While it is not clear whether defendant's current
9 counsel had knowledge of these emails, they nevertheless
10 establish that defendant was a "legally sophisticated party" with
11 "an understanding of the consequences of its actions" in failing
12 to file a responsive pleading. See Mesle, 615 F.3d at 1093. In
13 the absence of evidence supporting defendant's arguments to the
14 contrary, the government's evidence establishes intentional,
15 culpable conduct justifying denial of the motion to set aside
16 default. See id.¹

17 IT IS THEREFORE ORDERED that Synergy Medical Systems,
18 LLC's motion to set aside default (Docket No. 72) be, and the
19 same hereby is, DENIED WITHOUT PREJUDICE to refiling with
20 additional supporting evidence.

21 Dated: May 14, 2025


22 WILLIAM B. SHUBB
23 UNITED STATES DISTRICT JUDGE
24
25

26 ¹ Because the court denies the motion on the basis of
27 culpable conduct, it need not address whether defendant has a
28 meritorious defense or whether setting aside the default would
prejudice to the plaintiff. See Mesle, 615 F.3d at 1091.